

Message Text

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ACTION NEA-06

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TO SECSTATE WASHDC 6536

INFO AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

C O N F I D E N T I A L NEW DELHI 10213

LIMDIS

E.O. 11652: GDS

TAGS: EFIN IN

SUBJECT: RUPEE NEGOTIATIONS: HOLD EVERYTHING.

BEGIN SUMMARY: WE ARE REACHING A POINT OF DECISION ON THE RUPEES. MAY I ASK WASHINGTON TO HOLD UP EVERYTHING INDIAN UNTIL WE FIND OUT WHICH WAY THE NEGOTIATIONS GO? END SUMMARY.

1. IT BECAME APPARENT AT MIDWEEK THAT THE RUPEE NEGOTIATIONS WERE TAKING A TURN WHICH COULD LEAD TO THEIR EARLY DEMISE. OUR FREINDS IN THE FINANCE MINISTRY STARTED ASKING ENTIRELY TOO MANY QUESTIONS ABOUT HOW WE INTENDED TO USE OUR MONEY. THEY EVEN SUGGESTED THAT THE AMERICAN AMBASSADOR COULD NOT BE TRUSTED TO PUT SO MUCH MONEY TO PROPER USE. IN EFFECT THE NEGOTIATIONS WERE TURING FROM THE QUESTION OF HOW MANY RUPEES SHALL REMAIN AT THE DISPOSAL OF THE AMERICAN EMBASSY TO THE ENTIRELY DIFFERENT QUESTION OF THE NATURE OF THE AMERICAN PRESENCE IN INDIA.

2. THIS WAS QUITE ENOUGH. THIS MORNING I WENT TO SEE P.N. DHAR, THE PRIME MINISTER'S PRIVATE SECRETARY, TO MAKE CLEAR ONCE AGAIN
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THE BASIS ON WHICH THE UNITED STATES GOVERNMENT WAS PREPARED TO

REACH AS DECENT A FINANCIAL SETTLEMENT AS ANY GOVERNMENT HAS EVER OFFERED ANOTHER. THIS WAS THAT WE BE ENABLED TO SPEND OUR OWN MONEY AS WE HAVE IN THE PAST, WITHOUT DISCRIMINATION. I THINK HE GOT MY POINT. I ALSO TOLD DHAR (AS I HAVE TOLD THE FINANCE MINISTRY) THAT I WAS LEAVING FOR THE US NEXT THURSDAY MORNING AND IF THE INDIANS WANTED AN AGREEMENT THEY SHOULD MAKE UP THEIR MINDS. I COULD THEN PUT FORTH THE PRINCIPLES OF A PROPOSED SETTLEMENT WITHIN THE EXECUTIVE BRANCH AND ON THE HILL DURING MY CONSULTATIONS. DHAR UNDERSTOOD; JUDGING FROM WHAT HE HAD TO SAY ABOUT INDIA'S COMING FOREIGN EXCHANGE CRISIS, I THINK HE WANTS THAT AGREEMENT. WE ARE GOING TO WAIT AND SEE. IT'S THEIR MOVE.

3. THE POINT MADE IS THAT THE RUPEE AGREEMENT MUST COME FIRST. DISCUSSIONS ON AID, TRADE AND EVEN DEBT RELIEF CAN ONLY FOLLOW STRAIGHTENING OUT THE RUPEES. IF THE INDIANS DON'T HAVE ENOUGH CONFIDENCE IN US TO AGREE TO AN EMINENTLY FAIR PROPOSAL, OR IF THEY DOUBT THEIR ABILITY TO SELL IT AT HOME, WE HAVE NO BUSINESS TALKING ABOUT AID OR TRADE.

4. THEREFORE, I HOPE WASHINGTON WILL HOLD FAST ON EVERYTHING INDIAN. TIKKI KAUL TALKS AS IF EVERYTHING IS MOVING ALONG; WELL, MAYBE IT IS AND MAYBE IT ISN'T. BUT LET'S BE CAREFUL NOT TO GIVE TIKKI AND HIS PEOPLE THE IMPRESSION THAT WE INTEND TO MOVE ON TO AID AND TRADE BEFORE THE RUPEES ARE SETTLED. I AM NOT INCLINED TO RUSH ON DEBT RELIEF EITHER. PLEASE PASS THIS MESSAGE ON TO AID AND TREASURY.

5. OF COURSE IF INDIA CHOOSES TO PASS UP THIS OPPORTUNITY FOR A SETTLEMENT, THAT IS THEIR OPTION. THE PACE OF THE DIALOGUE WILL THEN BE VERY MUCH SLOWER. THIS CANNOT BE OF CONCERN TO US IF IT IS NOT TO THEM. THERE IS EXCELLENT GROUSE SHOOTING AROUND DELHI IN THE FALL. FURTHER NORTH, THE TROUT FISHING, COME SPRING, IS SAID TO BE SUPERB. I FEAR, HOWEVER, THAT THEY TOOK MY POINT THIS MORNING AND I WILL SPEND THE NEXT YEAR, AS THE LAST, AT MEETINGS.
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